

106TH CONGRESS
2D SESSION

S. 3047

To amend the Internal Revenue Code of 1986 to expand the Lifetime Learning credit and provide an optional deduction for qualified tuition and related expenses.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 14, 2000

Mr. BIDEN introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to expand the Lifetime Learning credit and provide an optional deduction for qualified tuition and related expenses.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. MODIFICATION OF LIFETIME LEARNING CRED-**
4 **IT AND OPTIONAL DEDUCTION FOR TUITION**
5 **EXPENSES.**

6 (a) MODIFICATION OF LIFETIME LEARNING CRED-
7 IT.—

8 (1) INCREASE IN PERCENTAGE.—Section
9 25A(c)(1) of the Internal Revenue Code of 1986 (re-

lating to per taxpayer credit) is amended by striking
 “20 percent” and inserting “28 percent”.

(2) LIMITATION BASED ON MODIFIED AD-
 JUSTED GROSS INCOME.—

(A) IN GENERAL.—Section 25A(d)(2) of
 the Internal Revenue Code of 1986 (relating to
 amount of reduction) is amended to read as fol-
 lows:

“(2) AMOUNT OF REDUCTION.—

“(A) HOPE SCHOLARSHIP.—In the case of
 the Hope Scholarship credit, the amount deter-
 mined under this paragraph is the amount
 which bears the same ratio to the amount which
 would be so taken into account as—

“(i) the excess of—

“(I) the taxpayer’s modified ad-
 justed gross income for such taxable
 year, over

“(II) \$40,000 (\$80,000 in the
 case of a joint return), bears to

“(ii) \$10,000 (\$20,000 in the case of
 a joint return).

(B) LIFETIME LEARNING.—In the case of
 the Lifetime Learning credit, the amount deter-
 mined under subparagraph (A) shall be deter-

1 mined by substituting ‘\$50,000 (\$100,000 in
2 the case of a joint return)’ for ‘\$40,000
3 (\$80,000 in the case of a joint return)’ in
4 clause (i)(II) of such subparagraph.”.

5 (B) CONFORMING AMENDMENT.—Section
6 25A(h)(2)(A) of the Internal Revenue Code of
7 1986 is amended by striking “the \$40,000 and
8 \$80,000 amounts” and inserting “each dollar
9 amount”.

10 (b) DEDUCTION FOR QUALIFIED TUITION AND RE-
11 LATED EXPENSES IN LIEU OF LIFETIME LEARNING
12 CREDIT.—

13 (1) IN GENERAL.—Part VII of subchapter B of
14 chapter 1 of the Internal Revenue Code of 1986 is
15 amended by redesignating section 222 as section
16 223 and inserting after section 221 the following
17 new section:

18 **“SEC. 222. QUALIFIED TUITION EXPENSES.**

19 “(a) ALLOWANCE OF DEDUCTION.—In the case of an
20 individual, there shall be allowed as a deduction for the
21 taxable year an amount equal to the lesser of—

22 “(1) the qualified tuition and related expenses
23 (within the meaning of section 25A(c)) paid by the
24 taxpayer for the taxable year, or

1 “(2) \$10,000 (\$5,000 in the case of taxable
2 years beginning in 2001 or 2002).

3 “(b) SPECIAL RULES.—

4 “(1) IN GENERAL.—Rules similar to the rules
5 of section 25A(g) shall apply for purposes of this
6 section.

7 “(2) RULES FOR DETERMINING EXPENSES.—
8 Rules similar to the rules of section 25A(c)(2) shall
9 apply for purposes of determining the qualified tui-
10 tion and related expenses to be taken into account
11 under subsection (a).

12 “(c) LIMITATION BASED ON MODIFIED ADJUSTED
13 GROSS INCOME.—The amount which would (but for this
14 subsection) be taken into account under subsection (a) for
15 the taxable year shall be reduced (but not below zero) by
16 the amount determined under section 25A(d)(2)(B) by ap-
17 plying the modified adjusted gross income as defined in
18 section 25A(d)(3) and determined without regard to the
19 deduction under this section.

20 “(d) COORDINATION WITH CERTAIN CREDITS.—No
21 deduction shall be allowed under this section with respect
22 to the qualified tuition and related expenses of any indi-
23 vidual unless a taxpayer elects not to have section 25A
24 apply for the taxable year with respect to—

1 “(1) such individual, in the case of the Hope
2 Scholarship credit, and

3 “(2) the taxpayer, in the case of the Lifetime
4 Learning credit.

5 “(e) COORDINATION WITH EXCLUSIONS.—No deduc-
6 tion shall be allowed under this section with respect to
7 an individual for any taxable year if any portion of any
8 distribution during such taxable year from an education
9 individual retirement account is excluded from gross in-
10 come under section 530(d)(2).”.

11 (2) DEDUCTION ALLOWED WHETHER OR NOT
12 TAXPAYER ITEMIZES OTHER DEDUCTIONS.—Section
13 62(a) of the Internal Revenue Code of 1986 (defin-
14 ing adjusted gross income) is amended by inserting
15 after paragraph (17) the following new paragraph:

16 “(18) QUALIFIED TUITION AND RELATED EX-
17 PENSES.—The deduction allowed by section 222.”.

18 (3) CONFORMING AMENDMENT.—The table of
19 sections for part VII of subchapter B of chapter 1
20 of the Internal Revenue Code of 1986 is amended by
21 striking the last item and inserting the following
22 new items:

“Sec. 222. Qualified tuition and related expenses.

“Sec. 223. Cross reference.”

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to expenses paid in taxable years
3 beginning after December 31, 2000.

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